



OHIO AUDITOR OF STATE
KEITH FABER



**STARK COUNTY DISTRICT LIBRARY
STARK COUNTY
DECEMBER 31, 2018**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Stark County District Library
Stark County
715 Market Avenue North
Canton, Ohio 44702

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Stark County District Library, Stark County, Ohio (the Library), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Library's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Library's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Stark County District Library, Stark County, Ohio, as of December 31, 2018, and the respective changes cash financial position thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

We draw attention to Note 2 of the financial statements, which describes the accounting basis. The financial statements are prepared on the cash basis of accounting, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Other Information

We applied no procedures to management's discussion & analysis, as listed in the table of contents. Accordingly, we express no opinion or any other assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2019, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting and compliance.



Keith Faber
Auditor of State

Columbus, Ohio

October 8, 2019

**STARK COUNTY DISTRICT LIBRARY
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
(UNAUDITED)

The management's discussion and analysis of the Stark County District Library (the "Library") financial performance provides an overall review of the Library's financial activities for the year ended December 31, 2018, within the limitations of the Library's cash basis of accounting. The intent of this discussion and analysis is to look at the Library's financial performance as a whole; readers should also review the cash-basis financial statements and the notes to the basic financial statements to enhance their understanding of the Library's financial performance.

Financial Highlights

Key financial highlights for 2018 are as follows:

- The total net position of the Library increased \$4,969,053 or 66.59% during 2018.
- General receipts accounted for \$20,247,096 or 98.19% of total governmental activities receipts. Program specific receipts accounted for \$372,232 or 1.81% of total governmental activities receipts.
- The Library had \$15,650,275 in cash disbursements related to governmental activities; \$372,232 of these disbursements were offset by program specific charges for services, grants or contributions. General receipts (primarily property taxes and public library fund receipts) of \$20,247,096 were adequate to provide for these programs.
- The Library's major funds are the General Fund, Capital Projects Fund and the Capital Fund - Jackson Branch. The General Fund had receipts of \$15,558,256 in 2018. The disbursements of the General Fund totaled \$14,513,218 in 2018. The General Fund's balance increased \$1,045,038 from a balance of \$2,874,665 to \$3,919,703.
- The Capital Projects Fund had receipts of \$17,078 and disbursements of \$421,909 during 2018. The fund balance of the Capital Projects Fund decreased \$404,831 from a balance of \$3,331,055 to a balance of \$2,926,224 during 2018.
- The Capital Fund - Jackson Branch had other financing sources of \$4,800,000 and disbursements of \$385,968. The fund balance of the capital fund - Jackson Branch increased \$4,414,032 during 2018.

Using this Cash Basis Basic Financial Statements (BFS)

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the Library's cash basis of accounting.

The statement of net position - cash basis and statement of activities - cash basis provide information about the activities of the whole Library, presenting an aggregate view of the Library's cash basis finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Library's most significant funds with all other nonmajor funds presented in total in one column. In the case of the Library, there are three major governmental funds: the General Fund, Capital Projects fund and Capital Fund - Jackson Branch.

**STARK COUNTY DISTRICT LIBRARY
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
(UNAUDITED)

Reporting the Library as a Whole

Statement of Net Position and the Statement of Activities

The statement of net position - cash basis and the statement of activities - cash basis answer the question, "How did we do financially during 2018?" These statements include *only net cash assets* using the *cash basis of accounting*, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

These two statements report the Library's net position and changes in those assets on a cash basis. This change in net cash assets is important because it tells the reader that, for the Library as a whole, the cash basis financial position of the Library has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the Library's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, mandated federal and state programs and other factors.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

In the statement of net position - cash basis and the statement of activities - cash basis, the governmental activities include Library's programs and services including library services, support services, capital outlay and debt service.

The statement of net position - cash basis and the statement of activities - cash basis can be found on pages 11-12 of this report.

Reporting the Library's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Library, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Library are considered governmental funds.

Fund financial reports provide detailed information about the Library's major funds. The Library uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Library's most significant funds. The Library's major governmental funds are the General Fund, Capital Projects Fund and Capital Fund - Jackson Branch. The analysis of the Library's major governmental fund begins on page 8.

**STARK COUNTY DISTRICT LIBRARY
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
(UNAUDITED)

Governmental Funds

The Library's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than GAAP. The governmental fund statements provide a detailed view of the Library's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be readily spent to finance various Library programs. Since the Library is reporting on the cash basis of accounting, there are no differences in the net cash position and fund cash balances or changes in net cash position and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements. The governmental fund statements can be found on pages 13-14 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 15-30 of this report.

Government-Wide Financial Analysis

Recall that the statement of net position - cash basis provides the perspective of the Library as a whole.

The table below provides a summary of the Library's net position at December 31, 2018 and December 31, 2017.

	Net Position	
	Governmental Activities 2018	Governmental Activities 2017
<u>Assets</u>		
Equity in pooled cash and cash equivalents	\$ 12,431,459	\$ 6,594,728
Investments	-	867,678
Total assets	<u>12,431,459</u>	<u>7,462,406</u>
<u>Net Position</u>		
Restricted	5,583,578	1,254,732
Unrestricted	<u>6,847,881</u>	<u>6,207,674</u>
Total net position	<u>\$ 12,431,459</u>	<u>\$ 7,462,406</u>

The total net position of the Library increased \$4,969,053, which represents a 66.59% increase over December 31, 2017's net position. This large increase was the result of issuing notes to be used to build a new branch in Jackson Township.

The balance of government-wide unrestricted net position of \$6,847,881 may be used to meet the government's ongoing obligations to citizens and creditors.

**STARK COUNTY DISTRICT LIBRARY
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
(UNAUDITED)

The table below shows the changes in net position for 2018 and 2017.

	Change in Net Position	
	Governmental Activities	Governmental Activities
	<u>2018</u>	<u>2017</u>
Receipts:		
Program receipts:		
Charges for services	\$ 256,498	\$ 161,132
Operating grants and contributions	15,734	44,670
Capital grants and contributions	<u>100,000</u>	<u>172,750</u>
Total program receipts	<u>372,232</u>	<u>378,552</u>
General receipts:		
Property taxes	7,058,821	6,959,222
Public library fund	7,138,194	6,856,245
Unrestricted grants	916,807	1,111,004
Earnings on investments	57,669	33,039
Sale of notes	4,800,000	-
Premium on sale of notes	126,965	-
Miscellaneous	<u>148,640</u>	<u>91,581</u>
Total general receipts	<u>20,247,096</u>	<u>15,051,091</u>
Total receipts	<u>\$ 20,619,328</u>	<u>\$ 15,429,643</u>
Disbursements:		
Current:		
Library services:		
Public services and programs	\$ 6,382,771	\$ 6,204,314
Collection development and processing	3,087,760	2,858,562
Support services:		
Facilities operation and maintenance	1,651,794	1,635,695
Information services	887,024	914,610
Business administration	2,250,033	2,155,076
Capital outlay	1,274,547	459,932
Debt service:		
Note issuance costs	<u>116,346</u>	<u>-</u>
Total disbursements	<u>\$ 15,650,275</u>	<u>\$ 14,228,189</u>
Change in net position	4,969,053	1,201,454
Net position at beginning of year	<u>7,462,406</u>	<u>6,260,952</u>
Net position at end of year	<u>\$ 12,431,459</u>	<u>\$ 7,462,406</u>

**STARK COUNTY DISTRICT LIBRARY
STARK COUNTY, OHIO**

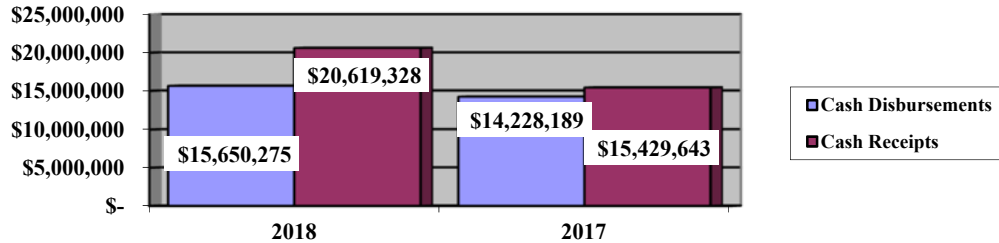
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
(UNAUDITED)

Governmental Activities

Governmental net cash position increased by \$4,969,053 in 2018 from 2017. Total governmental disbursements of \$15,650,275 were offset by program receipts of \$372,232 and general receipts of \$20,247,096. Program receipts supported 2.38% of the total governmental disbursements.

The primary sources of receipts for governmental activities are derived from property taxes and public library fund receipts. These receipt sources represent 68.85% of total governmental receipts. Real estate property is reappraised every six years.

Governmental Activities - Total Cash Receipts vs. Total Cash Disbursements



Governmental Activities

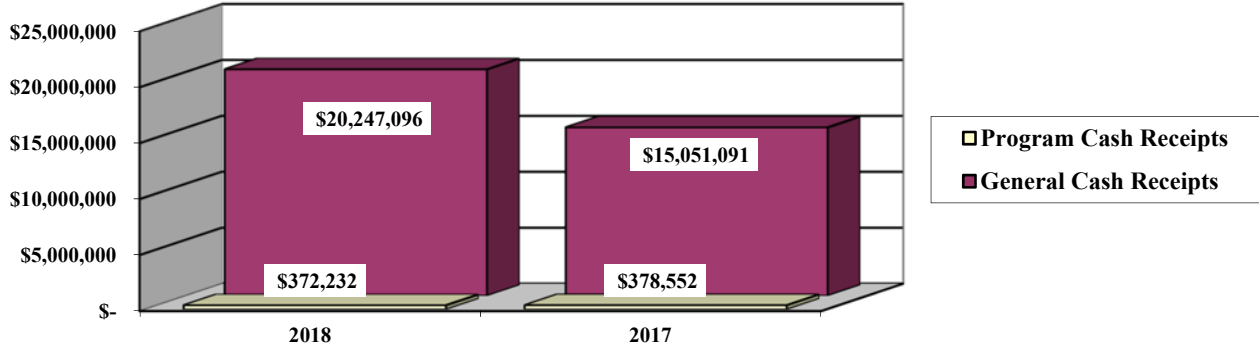
	Total Cost of Services 2018	Net Cost of Services 2018	Total Cost of Services 2017	Net Cost of Services 2017
Disbursements:				
Current:				
Library services:				
Public services and programs	\$ 6,382,771	\$ 6,110,539	\$ 6,204,314	\$ 5,998,512
Collection development and processing	3,087,760	3,087,760	2,858,562	2,858,562
Support services:				
Facilities operation and maintenance	1,651,794	1,651,794	1,635,695	1,635,695
Information services	887,024	887,024	914,610	914,610
Business administration	2,250,033	2,250,033	2,155,076	2,130,076
Capital outlay	1,274,547	1,174,547	459,932	312,182
Debt service:				
Bond issuance costs	116,346	116,346	-	-
Total	\$ 15,650,275	\$ 15,278,043	\$ 14,228,189	\$ 13,849,637

The dependence upon general receipts for governmental activities is apparent; with 97.62% of disbursements supported through taxes and other general receipts during 2018.

**STARK COUNTY DISTRICT LIBRARY
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
(UNAUDITED)

Governmental Activities - General and Program Receipts



Financial Analysis of the Government's Funds

As noted earlier, the Library uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The Library's governmental funds are accounted for using the cash basis of accounting.

The Library's governmental funds reported a combined fund cash balance of \$12,431,459, which is \$4,969,053 higher than last year's total balance of \$7,462,406. The schedule below indicates the fund cash balance and the total change in fund balance as of December 31, 2018 and December 31, 2017, for all major and nonmajor governmental funds.

	<u>Fund Balance</u> <u>December 31, 2018</u>	<u>Fund Balance</u> <u>December 31, 2017</u>	<u>Change</u>
Major funds:			
General	\$ 3,919,703	\$ 2,874,665	\$ 1,045,038
Capital Projects	2,926,224	3,331,055	(404,831)
Capital Fund - Jackson Branch	4,414,032	-	4,414,032
Other nonmajor governmental funds	<u>1,171,500</u>	<u>1,256,686</u>	<u>(85,186)</u>
Total	<u>\$ 12,431,459</u>	<u>\$ 7,462,406</u>	<u>\$ 4,969,053</u>

General Fund

The General Fund had receipts of \$15,558,256 in 2018. The disbursements of the General Fund totaled \$14,513,218 in 2018. The General Fund's cash balance increased \$1,045,038 from a balance of \$2,874,665 to \$3,919,703. The increase is primarily due to the Library's ability to control disbursements in relation to its receipts. Receipts saw a slight increase primarily in the areas of property taxes and public library fund receipts received from the State of Ohio. Disbursements increased due to rising wage and benefit costs.

Capital Projects Fund

The Capital Projects Fund had \$17,078 in receipts and \$421,909 in disbursements during 2018. The fund balance of the Capital Projects Fund decreased \$404,831 from a balance of \$3,331,055 to a balance of \$2,926,224. This decrease is due to an increase in capital outlay costs compared to the previous year.

**STARK COUNTY DISTRICT LIBRARY
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
(UNAUDITED)

Capital Fund - Jackson Branch

The Capital Fund - Jackson Branch had other financing sources of \$4,800,000 and disbursements of \$385,968. The fund balance increased \$4,414,032 from the previous year. The increase in fund balance was due to the Library issuing notes to begin construction on a new branch in Jackson Township.

Capital Assets and Debt Administration

Capital Assets

The Library does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as disbursements.

Debt Administration

The Library had the following long-term obligations outstanding at December 31, 2018 and December 31, 2017:

	Governmental Activities <u>2018</u>	Governmental Activities <u>2017</u>
Library Facilities		
Notes - Series 2018	<u>\$ 4,800,000</u>	<u>\$ -</u>

The Library Facilities notes carry an interest rate of 4.00% and have a final maturity of December 1, 2043.

Current Issues

The challenge for all libraries is to provide quality services to the public while staying within the restrictions imposed by limited, and in some instances, shrinking funding.

The primary source of revenue for Ohio public libraries is the Public Library Fund (PLF). The PLF was enacted by the State of Ohio as the funding mechanism for Ohio public libraries in January 2008 and is a fixed 2.22 percent of the total General Revenue Fund (GRF) tax receipts. However, the 2009-2011 State of Ohio biennium budget temporarily reduced the Public Library Fund to 1.97 percent of the total GRF tax receipts and HB153, the 2011-2013 State of Ohio biennium budget alters the PLF funding structure and allocation formula by reducing the Public Library Fund to 95.0 percent of the Fiscal Year 2011 PLF distribution for the period January 2012 through June 2013 and also reduces and/or eliminates the Tangible Personal Property Tax (TPPT) replacement. Effective July 2013, the funding percentage was changed to 1.66 percent of the total GRF tax receipts. In 2014, the Ohio General Assembly temporarily increased the percentage to 1.7 percent effective until the Fiscal Year 2018 and Fiscal Year 2019 state budget. In June 2017 the Ohio General Assembly changed the temporary percentage from 1.7 percent to 1.68 percent, through the Fiscal Year 2018 and Fiscal Year 2019 budget.

The Library has finished raising funds for the Capital Campaign and is waiting for the remaining pledges to be fulfilled. The campaign is not about new buildings; it is about becoming the community hub for innovation and ideas by transforming library spaces to improve the customer experience and increase use. To achieve the goals of the Capital Campaign there will be interactive, early literacy play areas in all locations, the introduction of a new service model with physical changes to all locations, the use of creative and engaging displays to merchandise the collection, expansion of cooperative partnerships in Stark County, and more.

**STARK COUNTY DISTRICT LIBRARY
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
(UNAUDITED)

Current Issues (continued)

In 2016 the Library opened a storefront branch library to replace an existing brick and mortar building. The storefront acts as an incubator for implementing a new library service model and 24/7 access to library materials. The storefront has been an excellent indicator of what services are needed and a great test area for new equipment to be used in all Library locations. In September 2017 it was announced that the Library would be replacing the storefront with a new Library building. The Library has selected a contractor and construction of the new building is set to begin in March 2019, with an expected completion date of Spring 2020. The Library will be using the knowledge it has gained from the storefront location, for both the construction of the new building and for the implementation of changes across all Library locations.

The Library will continue to explore new technology solutions for staff and customers, including new Library equipment providing 24/7 access to services, access to e-materials, and improved internet access for customers. As the information needs of our service population change, the Library must continue to seek innovative and relevant solutions and formats.

The Library also continues to monitor expenditures and is committed to maintain long term sustainability and will also continue to search for additional funding to be able to provide the service our customers expect.

The Library placed a 2.2 mil operating levy on the November 6, 2018 ballot. The levy was intended to generate approximately \$3.1 million annually over an 8 year period, however the ballot issue did not pass. In order to maintain funding a significant portion of its funding, the Library has plans to place another levy on the ballot in the future.

Contacting the Library's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Library's finances and to show the Library's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. Chris Butler, Fiscal Officer, Stark County District Library, 715 Market Avenue North, Canton, Ohio 44702-1018. Also, information regarding the Library is available on its website, www.starklibrary.org.

**STARK COUNTY DISTRICT LIBRARY
STARK COUNTY, OHIO**

STATEMENT OF NET POSITION - CASH BASIS
DECEMBER 31, 2018

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents	\$ 12,431,459
Total assets	\$ 12,431,459
Net position:	
Restricted for:	
Debt service	\$ 25,589
Capital projects	5,529,980
Library programs	2,297
Library materials	25,712
Unrestricted	6,847,881
Total net position	\$ 12,431,459

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**STARK COUNTY DISTRICT LIBRARY
STARK COUNTY, OHIO**

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Cash</u>	<u>Program Cash Receipts</u>				<u>Net (Disbursements)</u>
	<u>Disbursements</u>	<u>Charges for</u>	<u>Operating Grants</u>	<u>Capital Grants</u>		<u>Receipts and</u>
		<u>Services and Sales</u>	<u>and Contributions</u>	<u>and Contributions</u>		<u>Changes in Net Position</u>
						<u>Governmental</u>
						<u>Activities</u>
Governmental activities:						
Current:						
Library services:						
Public services and programs	\$ 6,382,771	\$ 256,498	\$ 15,734	\$ -		\$ (6,110,539)
Collection development and processing	3,087,760	-	-	-		(3,087,760)
Support services:						
Facilities operation and maintenance	1,651,794	-	-	-		(1,651,794)
Information services	887,024	-	-	-		(887,024)
Business administration	2,250,033	-	-	-		(2,250,033)
Capital outlay	1,274,547	-	-	100,000		(1,174,547)
Debt service:						
Note issuance costs	116,346	-	-	-		(116,346)
Total governmental activities	\$ 15,650,275	\$ 256,498	\$ 15,734	\$ 100,000		(15,278,043)
General receipts:						
Property taxes levied for:						
General purposes						7,058,821
Public library fund						7,138,194
Grants and entitlements not restricted to specific programs						916,807
Earnings on investments						57,669
Sale of notes						4,800,000
Premium on sale of notes						126,965
Miscellaneous						148,640
Total general receipts						20,247,096
Change in net position						4,969,053
Net position at beginning of year						7,462,406
Net position at end of year						\$ 12,431,459

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**STARK COUNTY DISTRICT LIBRARY
STARK COUNTY, OHIO**

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
DECEMBER 31, 2018

	<u>General</u>	<u>Capital Projects</u>	<u>Capital Fund - Jackson Branch</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and cash equivalents . . .	\$ 3,919,703	\$ 2,926,224	\$ 4,414,032	\$ 1,171,500	\$ 12,431,459
Total assets	<u>\$ 3,919,703</u>	<u>\$ 2,926,224</u>	<u>\$ 4,414,032</u>	<u>\$ 1,171,500</u>	<u>\$ 12,431,459</u>
Fund balances:					
Restricted.	\$ -	\$ -	\$ 4,414,032	\$ 1,169,546	\$ 5,583,578
Committed	-	-	-	1,954	1,954
Assigned	2,104,664	2,926,224	-	-	5,030,888
Unassigned	<u>1,815,039</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,815,039</u>
Total fund balances.	<u>\$ 3,919,703</u>	<u>\$ 2,926,224</u>	<u>\$ 4,414,032</u>	<u>\$ 1,171,500</u>	<u>\$ 12,431,459</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**STARK COUNTY DISTRICT LIBRARY
STARK COUNTY, OHIO**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>General</u>	<u>Capital Projects</u>	<u>Capital Fund - Jackson Branch</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts:					
Property and other local taxes	\$ 7,058,821	\$ -	\$ -	\$ -	\$ 7,058,821
Public library fund	7,123,224	-	-	14,970	7,138,194
Intergovernmental.	916,807	-	-	-	916,807
Patron fines and fees	256,498	-	-	-	256,498
Contributions, gifts and donations	15,634	-	-	100,100	115,734
Earnings on investments	38,632	17,078	-	1,959	57,669
Miscellaneous	148,640	-	-	-	148,640
Total receipts	<u>15,558,256</u>	<u>17,078</u>	<u>-</u>	<u>117,029</u>	<u>15,692,363</u>
Disbursements:					
Current:					
Library services:					
Public services and programs	6,382,771	-	-	-	6,382,771
Collection development and processing	3,063,652	23,430	-	678	3,087,760
Support services:					
Facilities operation and maintenance	1,648,257	3,537	-	-	1,651,794
Information services	887,024	-	-	-	887,024
Business administration	2,234,579	15,454	-	-	2,250,033
Capital outlay	296,935	379,488	385,968	212,156	1,274,547
Debt service:					
Note issuance costs	-	-	-	116,346	116,346
Total disbursements.	<u>14,513,218</u>	<u>421,909</u>	<u>385,968</u>	<u>329,180</u>	<u>15,650,275</u>
Excess (deficiency) of receipts over (under) disbursements.	<u>1,045,038</u>	<u>(404,831)</u>	<u>(385,968)</u>	<u>(212,151)</u>	<u>42,088</u>
Other financing sources:					
Note issuance	-	-	4,800,000	-	4,800,000
Premium on note issuance.	-	-	-	126,965	126,965
Total other financing sources	<u>-</u>	<u>-</u>	<u>4,800,000</u>	<u>126,965</u>	<u>4,926,965</u>
Net change in fund balances	1,045,038	(404,831)	4,414,032	(85,186)	4,969,053
Fund balances at beginning of year	<u>2,874,665</u>	<u>3,331,055</u>	<u>-</u>	<u>1,256,686</u>	<u>7,462,406</u>
Fund balances at end of year	<u>\$ 3,919,703</u>	<u>\$ 2,926,224</u>	<u>\$ 4,414,032</u>	<u>\$ 1,171,500</u>	<u>\$ 12,431,459</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**STARK COUNTY DISTRICT LIBRARY
STARK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

1. DESCRIPTION OF THE LIBRARY AND REPORTING ENTITY

Stark County District Library, Stark County, Ohio, (the Library) is a body corporate and politic, capable of suing and being sued; contracting; acquiring, holding, processing, and disposing of real and personal property; and exercising such powers and privileges as are conferred upon it by law. The Library is directed by a seven-member Board of Trustees: four of whom are appointed by the Stark County Commissioners and three of whom are appointed by the Stark County Common Pleas Judges. Appointments are for seven year terms, and members serve without compensation. The Library also determines and operates under its own budget. Control and management of the Library is governed by sections 3375.22 to 3375.27 of the Ohio Revised Code with the administration of the day-to-day operations of the Library and financial accountability being the responsibility of the Executive Director and Fiscal Officer.

There is no potential for the Library to provide a financial benefit to or to impose a financial burden on the County Commissioners, nor can the County Commissioners significantly influence the programs, activities, or level of service performed or provided by the Library. The Library is fiscally independent of the County, although the County Commissioners serve in a ministerial capacity as the taxing authority. The determination to request approval of a tax, the rate, and the purpose(s) of the levy are discretionary decisions made solely by the Board of Library Trustees. Once these decisions are made, the County Commissioners must place the levy on the ballot.

Under the provisions of Governmental Accounting Standards Board Statement No. 61, "The Financial Reporting Entity: Omnibus," the Library is considered a related organization to Stark County.

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the Library consists of all funds, departments, boards, and agencies that are not legally separate from the Library.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Accounting

As discussed further below, the financial statements of the Library have been prepared on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting.

The Library's basic financial statements consist of government-wide financial-statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements – The Statement of Net Position and the Statement of Activities display information about the Library as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities. The Library had no business-type activities during the year ended December 31, 2018. Governmental activities generally are financed through taxes, intergovernmental receipts and other non-exchange transactions.

**STARK COUNTY DISTRICT LIBRARY
STARK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation and Accounting (continued)

The Statement of Net Position presents the cash and investment balances of the governmental activities of the Library at year-end. The Statement of Activities presents a comparison between direct disbursements and program receipts for each program or function of the Library's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Library is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Library's general receipts.

Fund Financial Statements – During the year, the Library segregates transactions related to certain Library functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance.

Fund financial statements are designed to present financial information of the Library at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

The Library's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Library's financial records and reported in the financial statements when cash is received rather than when earned, and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Fund Accounting

The Library uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The Library's funds are all classified as governmental.

Governmental Funds: Governmental funds are financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions. Monies are assigned to the various governmental funds according to the purposes for which they may or must be used. The following are the Library's major Governmental Funds:

General Fund is used to account for the general operating revenues and disbursements of the Library not specifically required to be recorded elsewhere. The primary revenue sources include Public Library Fund, levy receipts, patron fees and intergovernmental revenues. The general fund balance is available to the Library for any purpose provided it is expended or transferred according to the general laws of Ohio.

**STARK COUNTY DISTRICT LIBRARY
STARK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Accounting (continued)

Capital Projects Fund is used to account for money for current and future Library projects, as established by the Board of Trustees.

Capital Fund - Jackson Branch is used to account for note proceeds that are restricted to be used on the renovations at the Jackson Township Branch.

The other governmental funds of the Library are (a) used to account for and report the proceeds of specific receipt sources that are restricted or omitted to disbursement for specific purposes other than debt service or capital projects, (b) used to account for and report financial resources that are restricted to disbursement for principal and interest and (c) used to account for and report financial resources that are restricted, committed or assigned to disbursements for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Budgetary Process

All funds are legally required to be appropriated. The appropriations resolution is the Trustees' authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Trustees. The legal level of control has been established at the fund, function, and object code level for all funds. Budgetary modifications at the legal level of control may only be made by resolution of the Board of Library Trustees.

For control purposes, the Library estimates cash receipts for the year. These estimated receipts, together with the unencumbered carry-over balances from the prior year, set a limit on the amount the Trustees may appropriate. The estimated receipts may be revised during the year if projected increases or decreases in receipts are identified by the Fiscal Officer.

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations should not exceed estimated resources.

Cash and Cash Equivalents

To improve cash management, cash received by the Library is pooled and invested. Individual fund integrity is maintained through the Library's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents." Investments with an original maturity of three months or less at the time they are purchased and investments of the cash management pool are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments. The Library followed Ohio statutes for the allocation of interest earnings among the Library's funds. Interest receipts credited to the General Fund for 2018 was \$38,632.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts, respectively.

During fiscal year 2018, investments were limited to STAR Ohio (The State Treasury Asset Reserve of Ohio).

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

**STARK COUNTY DISTRICT LIBRARY
STARK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents (continued)

STAR Ohio is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, “Certain External Investment Pools and Pool Participants.” The Library measures their investment in STAR Ohio as the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on the amortized cost basis that provides an NAV per share that approximates fair value.

For 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Library is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

1. Nonspendable

The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

2. Restricted

Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of Library Trustees. Those committed amounts cannot be used for any other purpose unless the Library Trustees remove or change the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**STARK COUNTY DISTRICT LIBRARY
STARK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balance (continued)

4. Assigned

Amounts in the assigned fund balance classification are intended to be used by the Library for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the Library Trustees or a Library official delegated that authority by resolution, or by State Statute. State Statute authorizes the Library Fiscal Officer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Library applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the cash basis of accounting the Library uses.

Net Position

Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Library applies restricted resources first when an obligation is incurred for purposes for which both restricted and unrestricted net position are available.

Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller fund and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources used in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

**STARK COUNTY DISTRICT LIBRARY
STARK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventory

On the cash basis of accounting, inventories of supplies are reported as disbursements when purchased. These items are not reflected as assets in the accompanying financial statements.

Employer Contributions to Cost-Sharing Pension Plans

The Library recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 6 and 7, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Long-Term Obligations

The Library's cash basis financial statements do not report liabilities for long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid.

3. BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The differences between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis) and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$572,771 for the General Fund. There was no outstanding advance at year end.

4. DEPOSITS AND INVESTMENTS

State statutes classify monies held by the Library into three categories: Active monies are public monies necessary to meet current demands on the Library treasury. Such monies must be maintained either as cash in the Library treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts. Inactive deposits are public deposits that the Board of Trustees has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts. Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Protection of the Library's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Fiscal Officer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution. Interim monies held by the Library can be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

**STARK COUNTY DISTRICT LIBRARY
STARK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

4. DEPOSITS AND INVESTMENTS (continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days and two hundred seventy days, respectively, in an amount not to exceed forty (40) percent of the interim monies available for investment at any one time if training requirements have been met;
8. Written repurchase agreements in the securities described above in (1) or (2) provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days; and,
9. Star Ohio Plus-Bank Deposit Program for Public Fund Managers (FDIC insured).

The Library may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township or other political subdivision of this State, as to which there is not default of principal, interest, or coupons; and,
3. Obligations of the Library.

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Library, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Fiscal Officer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**STARK COUNTY DISTRICT LIBRARY
STARK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

4. DEPOSITS AND INVESTMENTS (continued)

At year end the Library had \$990 in undeposited cash on hand which is included as part of “Equity in Pooled Cash and Cash Equivalents” on the Financial Statements.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Library will not be able to recover deposits or collateral securities that are in possession of an outside party. At year end, the carrying amount of the Library’s deposits was \$11,545,713 and the bank balance was \$11,657,174. Of the bank balance, \$3,082,090 was covered by federal depository insurance and the remaining amount was uninsured, but covered by collateral held through OPCS.

The Library has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or protected by;

Eligible securities pledged to the Library and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least one hundred five percent of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be one hundred two percent of the deposits being secured or a rate set by the Treasurer of State. For 2018, the Library’s financial institution was approved for a reduced collateral rate of 50 percent through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the Library to a successful claim by the FDIC.

Investments

Investments are reported at fair value. As of December 31, 2018, the Library had the following investments:

	Investment Maturities (in Years)	
	Measurement Amount	Less than 1 year
STAR Ohio	\$884,756	\$884,756

Credit Risk. The Library has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. STAR Ohio carries a rating of AAAM by Standard & Poor’s.

**STARK COUNTY DISTRICT LIBRARY
STARK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

4. DEPOSITS AND INVESTMENTS (continued)

Concentration of Credit Risk is defined by the Governmental Accounting Standards Board as five percent or more in the securities of a single issuer. The Library's investment policy requires diversification of the portfolio but only states that the investments should be distributed as evenly as possible among the various instruments and institutions. The following is the Library's allocation as of December 31, 2018:

<u>Investment Issuer</u>	<u>Percentage of Investments</u>
STAR Ohio	100%

Reconciliation of Cash and Investments to the Statement of Net Position The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of December 31, 2018:

<u>Cash and cash equivalents per note</u>	
Carrying amount of deposits	\$ 11,545,713
Investments	884,756
Cash on hand	<u>990</u>
Total	<u>\$ 12,431,459</u>
 <u>Cash and cash equivalents per statement of net position</u>	
Governmental activities	<u>\$ 12,431,459</u>

5. GRANTS IN AID AND PROPERTY TAXES

Grants in Aid

A significant source of revenue for Ohio public libraries is the Public Library Fund (PLF). The PLF was enacted by the State of Ohio as the funding mechanism for Ohio public libraries in January 2008.

The State allocates PLF to each county monthly based on the total tax revenue credited to the State's general revenue fund during the preceding month using the statutory allocation method.

Estimated entitlement figures were issued to County Auditors. The actual current year entitlements were computed in December of the current year. The difference between the estimate and actual will be adjusted evenly in the PLF distributions made from January-June of the subsequent year.

The Stark County Budget Commission allocates these funds to the Library based on formula which incorporates square footage, full-time equivalent employees, circulation, service area population, number of cardholders, door count, website visits, expenditures for library materials and expenditures on technology. The Budget Commission cannot reduce its allocation of these funds to the Library based on any additional revenues the Library receives. During 2018, the Library received \$7,138,194 or 34.62% of the Library's annual revenue from this funding source.

**STARK COUNTY DISTRICT LIBRARY
STARK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

5. GRANTS IN AID AND PROPERTY TAXES (Continued)

Property Taxes

Property taxes include amounts levied against all real property and public utility property located in the taxing district of the Library. Property tax revenue received during 2018 for real property and public utility property taxes represents collections of the 2017 taxes.

2018 real property taxes are levied after October 1, 2018, on the assessed value as of January 1, 2018, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2018 real property taxes are collected in and intended to finance 2019.

Real property taxes are payable annually or semi-annually. If paid annually, the payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2018 public utility property taxes which became a lien December 31, 2017, are levied after October 1, 2018, and are collected in 2019 with real property taxes.

The full tax rate for all Library operations for the year ended December 31, 2018, was \$1.70 per \$1,000 of assessed value. The assessed values of real property and public utility property upon which 2018 property tax receipts were based are as follows:

Real Property	\$	4,603,315,920
Public Utility Personal Property		407,878,630
Total	<u>\$</u>	<u>5,011,194,550</u>

Property taxes are reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental receipts.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Library. The County Auditor periodically remits to the Library its portion of the taxes collected.

6. DEFINED BENEFIT PENSION PLANS

Plan Description - Library employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Library employees) may elect the Member-Directed Plan and the Combined Plan, substantially all employee members are in OPERS' Traditional Pension Plan.

**STARK COUNTY DISTRICT LIBRARY
STARK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

6. DEFINED BENEFIT PENSION PLANS (Continued)

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the Traditional Pension Plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the Traditional Pension Plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3.00% simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3.00%.

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.00% to the member's FAS for the first 30 years of service.

**STARK COUNTY DISTRICT LIBRARY
STARK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

6. DEFINED BENEFIT PENSION PLANS (Continued)

A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member's FAS and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions. Members retiring under the Combined Plan receive a 2.25% COLA adjustment on the defined benefit portion of their benefit.

Defined contribution plan benefits are established in the plan documents, which may be amended by the OPERS's Board of Trustees. Member-Directed Plan and Combined Plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the Combined Plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. The amount available for defined contribution benefits in the Member-Directed Plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20% each year. For additional information, see the Plan Statement in the OPERS CAFR.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local
2018 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
 2018 Actual Contribution Rates	
Employer:	
Pension	14.0 %
Post-employment Health Care Benefits	0.0 %
Total Employer	14.0 %
 Employee	 10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The Library's contractually required contribution for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan was \$868,220 for 2018.

7. DEFINED BENEFIT OPEB PLANS

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

**STARK COUNTY DISTRICT LIBRARY
STARK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

7. DEFINED BENEFIT OPEB PLANS (Continued)

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, health care is not being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2018, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2018 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Library's contractually required contribution was \$11,685 for 2018.

**STARK COUNTY DISTRICT LIBRARY
STARK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

8. RISK MANAGEMENT

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2018, the Library obtained commercial insurance. Property insurance was for \$51,448,297 with a \$2,500 deductible. Valuable papers and records were for \$19,021,795 with a \$1,000 deductible. General liability for each occurrence is \$1,000,000 with an aggregate of \$2,000,000 limit and excess liability insurance with a \$5,000,000 limit. Automobile liability has a \$1,000,000 combined single limit of liability with a collision deductible of \$1,000 and a comprehensive deductible of \$1,000. Nonprofit Organization Directors and Officers Liability insurance was \$10,000,000 with a \$10,000 deductible.

There has not been a significant reduction in coverage from the prior year. Settled claims have not exceeded this commercial coverage in any of the past three years.

Workers Compensation coverage is provided by the State. The Library pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

9. LEASES

The Library leases buildings and disbursed \$159,947 to pay lease costs for the year ended December 31, 2018.

The Library leases one of its facilities under a month-month agreement with a required aggregate monthly lease payment of \$1,974. The Library leases another facility under a 5-year operating lease agreement with a monthly payment of \$1,200 per month until July 31, 2020. During the 5 year term the rent will be adjusted to the then current Consumer Price Index for the term of each respective following year to a maximum of \$1,400 per month. The Library also leases another facility under a 5-year operating lease agreement for an annual payment of \$66,000 was activated for the period September 1, 2018 through August 31, 2023. In June 2018 the Library entered into a 6 month extension on its lease for a storefront library at \$5,067 per month.

**STARK COUNTY DISTRICT LIBRARY
STARK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

10. FUND BALANCES

Fund balance is classified as restricted, committed, assigned and/or unassigned based primarily on the extent to which the Library is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

<u>Fund Balances</u>	<u>General</u>	<u>Capital Projects</u>	<u>Capital Fund - Jackson</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Restricted for					
Library Programs	\$ -	\$ -	\$ -	\$ 2,297	\$ 2,297
Library Materials	-	-	-	25,712	25,712
Debt service	-	-	-	25,589	25,589
Capital Improvements	-	-	4,414,032	1,115,948	5,529,980
<i>Total Restricted</i>	<u>-</u>	<u>-</u>	<u>4,414,032</u>	<u>1,169,546</u>	<u>5,583,578</u>
Committed to					
Library Materials	-	-	-	1,954	1,954
<i>Total Committed</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,954</u>	<u>1,954</u>
Assigned to					
Capital Improvements	-	2,926,224	-	-	2,926,224
Encumbrance	572,771	-	-	-	572,771
2019 Appropriations	1,531,893	-	-	-	1,531,893
<i>Total Assigned</i>	<u>2,104,664</u>	<u>2,926,224</u>	<u>-</u>	<u>-</u>	<u>5,030,888</u>
Unassigned					
	<u>1,815,039</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,815,039</u>
<i>Total Fund Balances</i>	<u>\$ 3,919,703</u>	<u>\$ 2,926,224</u>	<u>\$ 4,414,032</u>	<u>\$ 1,171,500</u>	<u>\$ 12,431,459</u>

11. LONG-TERM OBLIGATIONS

During 2018, the following activity occurred in governmental activities long-term obligations:

	<u>Balance 12/31/2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2018</u>	<u>Amount Due in One Year</u>
Library Facilities					
Notes - Series 2018	<u>\$ -</u>	<u>\$ 4,800,000</u>	<u>\$ -</u>	<u>\$ 4,800,000</u>	<u>\$ 125,000</u>

Library Facilities Notes - Series 2018: On December 13, 2018, the Library issued \$4,800,000 in general obligation notes to provide funding to build a new Jackson Township library branch.

The issue is comprised of general obligation notes, par value \$4,800,000. The interest rate on the notes is 4.00%. Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2043. Principal and interest payments will be paid with public library fund monies out of the Debt Service Fund (Jackson) (a nonmajor governmental fund).

**STARK COUNTY DISTRICT LIBRARY
STARK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

11. LONG-TERM OBLIGATIONS (Continued)

The following is a summary of the future debt service requirements to maturity for the Library Facilities Notes - Series 2018:

Year Ending <u>December 31,</u>	<u>Library Facilities Notes - Series 2018</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 125,000	\$ 182,072	\$ 307,072
2020	120,000	183,350	303,350
2021	125,000	178,550	303,550
2022	130,000	173,550	303,550
2023	135,000	168,350	303,350
2024 - 2028	765,000	756,150	1,521,150
2029 - 2033	920,000	597,950	1,517,950
2034 - 2038	1,125,000	400,250	1,525,250
2039 - 2043	<u>1,355,000</u>	<u>163,050</u>	<u>1,518,050</u>
Total	<u>\$ 4,800,000</u>	<u>\$ 2,803,272</u>	<u>\$ 7,603,272</u>



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Stark County District Library
Stark County
715 Market Avenue North
Canton, Ohio 44702

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Stark County District Library, Stark County, (the Library) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements and have issued our report thereon dated October 8, 2019, wherein we noted the Library uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Library's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Library's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Library's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Library's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Library's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Library's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

October 8, 2019

OHIO AUDITOR OF STATE KEITH FABER



STARK COUNTY DISTRICT LIBRARY

STARK COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 7, 2019**